

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 NAIROBI 13264

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EO 11652: GDS
TAGS: EAID, XA, KE
SUBJECT: FY 79 AND FY 80 BUDGETED ASSISTANCE FOR AFRICA

REF: STATE 224147

1. SUMMARY: WE BELIEVE THAT A CUT IN DEVELOPMENT ASSISTANCE LEVELS OF ALMOST 50 PERCENT FOR FY 78 TO FY 79, COMING PRECISELY AT THE MOMENT WHEN KENYA IS IN THE PROCESS OF CHANGING GOVERNMENTS, WILL POSSIBLY BE TAKEN BY PRESIDENT MOI TO MEAN THAT THE UNITED STATES HAS BEGUN HEDGING ITS BET ON KENYA NOW THAT KENYATTA HAS PASSED FROM THE SCENE. THIS SEVERE US CUT BACK WOULD PROBABLY BE SEEN IN THE SAME LIGHT BY OTHER NATIONS, BOTH FRIEND AND ENEMIES OF KENYA. BY THUS SEEMING TO SHOW HESITATION IN ACCEPTING THE MOI GOVERNMENT AS A VIABLE PARTNER, THE UNITED STATES MAY UNINTENTIONALLY MAKE IT MORE DIFFICULT FOR MOI TO ACHEIVE HIS ASK OF KEEPING KENYA ON THE PATH ESTABLISHED FOR IT BY THE LATE PRESIDENT. IF MOI IS AS DISAPPOINTED AS WE MUST ASSUME HE MIGHT BE, THE GOK MAY, IN ITS TURN, BECOME MORE RESERVED IN ITS COOPERATION WITH US, MAKING IT MORE DIFFICULT, TO SOME DEGREE, TO ACHIEVE OUR OWN NATIONAL OBJECTIVES IN KENYA. I THINK WE WOULD BE ABLE TO CONVINCE THE KENYANS THAT A MODEST REDUCTION OF AID LEVELS, PERHAPS TO 15 TO 20 PERCENT, WAS DICTATED SOLELY ON BUDGETARY GROUNDS. I THINK IT WILL BE CERY DIFFICULT TO CONVINCE THEM
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THAT A CUT OF THE MAGNITUDE SUGGESTED IN THE REFERENCE WAS NOT IN PART MOTIVATED BY POLITICAL CONSIDERATIONS. THE PROPOSED BUDGETS FROM FOREIGN MILITARY SALES AND IMET ARE ADEQUATE.
END SUMMARY.

AID PROGRAM IMPLICATIONS

2. THE LEVELS PROPOSED FOR FY 79 AND FY 80 FOR DEVELOPMENT ASSISTANCE FUNDING LEVELS REPRESENT A MAJOR REVERSAL OF THE EXPANDING TREND OF THE PAST SEVERAL YEARS. THE RECENT AID ANNUAL BUDGET SUBMISSION (ABS) PROJECTED A CONTINUED BUILD UP TO \$52.6 MILLION IN FY 79 AND TO \$84.1 MILLION IN FY 80. ALREADY AID/K HAS HAD TO RECALCULATE ITS ENTIRE PROGRAM, AS ITS OPERATIONAL YEAR BUDGET (OYB) FELL FAR SHORT OF THE EXPECTATIONS HELD EARLIER THIS FISCAL YEAR. FOR EXAMPLE, THE AID MISSION HAD HOPED FOR \$49.7 MILLION OF FY 78 MONEY FOR A MAJOR NEW AGRICULTURAL SYSTEMS SUPPORT PROJECT (ASSP). INSTEAD, THE ALLOTMENT RECEIVED WAS FOR ONLY \$23.3 MILLION. THE BALANCE OF \$26.4 MILLION WILL HAVE TO BE OBLIGATED IN THE COMING FISCAL YEARS, FY 79-81.

3. FOR FY 79, AID/K WILL BE ABLE TO CONTINUE FUNDING ALL ON-GOING PROJECTS, BUT IT MUST EITHER POSTPONE NEW PROJECTS OR SEVERELY RESTRICT AMOUNTS OBLIGATED FOR NEW STARTS. ROUGHLY \$8 MILLION OF FY 79 MONEY MUST BE USED TO FUND THE CONTINUATION OF ON-GOING PROJECTS FROM FY 78 AND PRIOR YEARS. THIS WILL LEAVE APPROXIMATELY \$8.3 MILLION TO PROVIDE THE INITIAL FUNDING FOR FIVE NEW PROJECTS THAT HAVE BEEN PLANNED FOR FY 79. THESE PROJECTS WOULD AMOUNT TO, ACCORDING TO THE AID/K ABS, A TOTAL OF \$49.1 MILLION, WHICH WOULD MEAN THAT THERE WOULD HAVE TO BE A SUBSTANTIAL CARRY OVER OF FUNDING IN FUTURE FISCAL YEARS TO COMPLETE THE PROJECTS.

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4. IF WE ARE LEFT WITH ONLY \$8.3 MILLION, WE WILL HAVE TO MAKE A DIFFICULT DECISION OF WHETHER TO SPREAD THE MONEY AMONG THE FIVE PROJECTS OR TO CONCENTRATE IT IN ONE OR TWO HIGH-PRIORITY AREAS. OUR HIGHEST PRIORITY WOULD BE FOR FUNDING IN MARGINAL LANDS DEVELOPMENT. THIS PROJECT WAS ORIGINALLY BUDGETED AT \$21.0 MILLION FOR FY 79. OBVIOUSLY, ANY AVAILABLE FUNDS COULD BE USED ON THIS PROJECT ALONE. A RECENTLY COMPLETED USAID STUDY HAS SHOWN THAT PRODUCTIVITY OF MARGINAL LANDS, RATHER THAN INCREASING IN RESPONSE TO THE EVER-RISING POPULATION PRESSURES, HAS ACTUALLY DECREASED OVER THE PAST SIX TO SEVEN YEARS AT AN ALARMING RATE, DUE TO INAPPROPRIATE CROPPING SYSTEMS, OVERGRAZING, AND POOR CONSERVATION PRACTICES. THIS IS THE AREA IN WHICH KENYA MOST DESPERATELY NEEDS ASSISTANCE, AND THE GOK LOOKS TO THE UNITED STATES AS THE LEADING SOURCE OF EXPERTISE IN MARGINAL LANDS UTILIZATION.

5. THE SECOND PRIORITY FOR FY 79 WOULD BE START-UP FUNDING FOR A MAJOR NEW RURAL HEALTH ACTIVITY, AND THIRD PRIORITY WOULD BE INITIAL FUNDING FOR A GOOD CROP RESEARCH PROJECT.

6. IN FY 80, THE LOW FUNDING WOULD LEAD TO A STATE OF STAGNATION, WHERE ALL RESOURCES WOULD BE DEVOTED TO ON-GOING

PROJECTS, WITH NO FUNDS AVAILABLE FOR NEW INITIATIVES. THIS
STANDSTILL POSITION WOULD COMPLETELY CONTRADICT WHAT BOTH THE
EMBASSY AND THE GOK HAVE UNDERSTOOD TO BE THE CARTER ADMINISTRA-
TION'S INTENTION TO DOUBLE AID LEVELS TO AFRICA BY 1984.
WITH PARTICULAR RESPECT TO KENYA, THE DECREASED US SUPPORT
WOULD BE INCONSISTENT WITH THE RECOMMENDATIONS OF THE MOST
RECENT CONSULTATIVE GROUP MEETING, WHICH CALLED FOR INCREASED
US ASSISTANCE TO KENYA.

POLITICAL IMPLICATIONS

7. ALTHOUGH REDUCTIONS IN AID LEVELS WORLDWIDE MAY, BECAUSE
OF CONGRESSIONAL ACTIONS, BE INEVITABLE, A MAJOR CUT FOR
KENYA COULD NOT HAVE COME AT A WORSE TIME. KENYATTA HAS
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DIED, AND MR. MOI, THE NEW PRESIDENT, IS FACED WITH AN INTERIM
ELECTION WITHIN 90 DAYS TO FILL THE VACANCY FOR THE REMAINDER
OF KENYATTA'S TERM, AND WITH REGULAR ELECTIONS IN 1979. THE
CHAOS WHICH HAS FOR YEARS BEEN PREDICTED BY ACADEMIC AND
JOURNALISTIC WRITERS FOR THE PERIOD FOLLOWING KENYATTA'S
DEATH HAS NOT HAPPENED. NEVERTHELESS, THIS IS A PERIOD OF
UNCERTAINTY, AND MOI IS GOING TO NEED EVERY KIND OF SUPPORT

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C O N F I D E N T I A L SECTION 2 OF 2 NAIROBI 13264

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HE CAN GET TO MAINTAIN CONTINUED POLITICAL AND ECONOMIC
STABILITY DURING THE DIFFICULT MONTHS AHEAD. BECAUSE OF
OUR DEVELOPMENT ASSISTANCE PROGRAM, WHICH HAS BEEN GROWING

RAPIDLY IN RECENT YEARS, TOGETHER WITH OUR VISIBLE PARTICIPATION THROUGH THE SUPPLY OF F-5S, IN KENYA'S MILITARY MODERNIZATION PROGRAM, THE UNITED STATES IS LOOKED UPON TODAY AS ONE OF KENYA'S CLOSEST PARTNERS. IF AT THIS UNCERTAIN AND CRUCIAL PERIOD, WE MASSIVELY CUT OUR DEVELOPMENT ASSISTANCE BY SOME 47 PERCENT, THE NEW PRESIDENT COULD CERTAINLY INTERPRET THE ACTION AS A LACK OF US CONFIDENCE IN HIM. HE WILL THINK WE ARE HEDGING OUR BET ON KENYA, SEVERELY CUTTING BACK OUR INVESTMENT NOW, PREFERING TO WAIT UNTIL WE SEE MORE CLEARLY HOW THINGS WILL BE IN THE FUTURE BEFORE WE CONTINUE WITH OUR PREVIOUS LEVEL OF COOPERATION. SO WILL HIS RIVALS AND, PERHAPS OTHER GOVERNMENTS AS WELL. WE MAY THUS UNDERMINE MOI'S ABILITY TO HOLD TO THE PRO-WESTERN, FREE ENTERPRISE COURSE SET BY KENYATTA.

8. WE WILL OBVIOUSLY DO OUR BEST TO CONVINCE THE GOK THAT OUR INTEREST IS UNDIMINISHED AND THAT THE ADMINISTRATION HAS HAD NO CHOICE, BUT TO REDUCE AID LEVELS WORLDWIDE FOR BUDGETARY REASONS. ON THE OTHER HAND, WITH THE NEWS CURRENT OF OUR ENORMOUS NEW PROGRAM IN INDIA, THIS WON'T BE AN EASY PACKAGE TO SELL. THUS, I CONCLUDE THAT A REDUCTION IN AID AT THE MAGNITUDE PROPOSED COULD ENTAIL SOME POLITICAL

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LOSS FOR THE UNITED STATES IN KENYA. IF WE SHOW SUCH AN APPARENT LOSS OF FAITH IN KENYA, THE GOK WILL BE ALMOST CERTAINLY LESS EAGER TO COOPERATE CLOSELY WITH US ON PROGRAMS OF INTEREST TO THE UNITED STATES. I CANNOT AT THIS POINT ATTEMPT TO QUANTIFY WHAT SUCH A WEAKENING IN COOPERATION WOULD ENTAIL. BUT I FEEL CERTAIN THAT IT WILL MAKE OUR OBJECTIVES IN KENYA MORE DIFFICULT TO REALIZE. AS I HAVE POINTED OUT ON MANY OCCASIONS, WE THINK WE HAVE REAL ASSETS HERE. KENYA IS A FIREND, WHICH SHARES OUR DEMOCRATIC IDEALS AND HOLD VERY SIMILAR VIEWS ON INTERNATIONAL POLITICS AS WE. IN ADDITION, KENYA GRANTS US UNIMPEDED MILITARY ACCESS. I DON'T SUGGEST THAT A REDUCTION IN AID LEVELS WILL MEAN THAT KENYA'S IDEALS AND POLICIES WILL CHANGE. I DON'T THINK THEY WILL. BUT I DO SUSPECT THERE WILL BE A LESSENING OF INTEREST IN COOPERATION WITH THE US UNTIL OUR OWN INTENTIONS BECOME CLARIFIED IN THE KENYAN MIND.

9. I THINK IT WOULD BE POSSIBLE TO CONVINCE THE KENYANS THAT BUDGETARY EXIGENCIES DEMANDED SOME CUT-BACK IN AID LEVELS, BUT A REDUCTION OF ALMOST 50 PERCENT IS TOO DRAMATIC TO BE EXPLAINED CREDIBLY ON BUDGETARY GROUNDS ALONE. I HOPE THEREFORE THAT THE DEPARTMENT WILL BE ABLE TO CONVINCE AID AND OMB THAT A RESITUATION OF AT LEAST PART OF THE PROPOSED CUT IS NECESSARY FOR THE MAINTENANCE OF US INTERESTS HERE.

10. MILITARY ASSISTANCE: WE BELIEVE WE WILL BE ABLE TO

CONTINUE OUR ASSISTANCE FOR THE MODERNIZATION OF THE KENYAN
MILITARY AT OUR PLANNED LEVEL WITH THE PROPOSED FY 79 FMS
ALLOCATION OF \$10 MILLION. OUR CONCLUSION IS PREMISED ON
THE ANTICIPATED UTILIZATION BY THE GOK OF THE 12 MILLION
ADD-ON TO FY 78 FUNDS AND ASSUMES THAT NO PORTION OF THE \$10
MILLION WOULD BE NEEDED TO COMPLETE THE F-5 PROGRAM, WHICH
SEEMS PROBABLE AT THIS POINT. THE \$26 MILLION LEVEL FOR
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FY 80 FMS WOULD BE A MINIMUM TO ALLOW PARTIAL FUNDING FOR
THE PLANNED PROGRAM. ANY REDUCTION FROM THAT FIGURE WOULD
JEOPARDIZE THE PROGRAM PROPOSED IN THE HILL REPORT AND WOULD
CERTAINLY BE TAKEN BY THE KENYANS AS A SIGN OF VERY DEFINITE
US BAD FAITH.

11. WE ASSUME THAT THE LEVEL OF \$.55 MILLION FOR IMET REFERS
TO FY 80. TO THE BEST OF OUR KNOWLEDGE, THE FY 79 IMET
PROGRAM IS CURRENTLY FIGURED TO BE MAINTAINED AT THE FY 78
LEVEL, WHICH WOULD BE \$.4 MILLION. WE WOULD RECOMMEND THAT
FY 79 BE INCREASED TO \$.45 MILLION TO MAINTAIN THE CURRENT
LEVEL WITH THE INFLATION FACTOR.

12. COMMENT: WE HAVE TRIED TO KEEP THIS ASSESSMENT AS CONCISE
AND AS OBJECTIVE AS POSSIBLE. WE RECOGNIZE FULL WELL THAT
THERE ARE MANY DEMANDS ON VERY LIMITED FUNDS. WE ACCEPT THAT
THE ADMINISTRATION MAY FEEL THAT IT HAS MORE URGENT REASONS
TO INVEST ITS FUNDS ELSEWHERE. NONETHELESS I WANTED TO MAKE
SURE THAT THE DEPARTMENT UNDERSTANDS THAT A CUT OF THE PROPOSED
MAGNITUDE COULD SERIOUSLY WEAKEN KENYAN CONFIDENCE IN THE
RELIABILITY OF THE UNITED STATES AS ONE OF ITS MAJOR PARTNERS
AND COULD, TO SOME UNDEFINABLE DEGREE, MAKE THE ACHIEVEMENT
OF OUR OBJECTIVES IN KENYA MORE DIFFICULT. WE MIGHT BE SEEN
TO BE LETTING DOWN AN OLD FRIEND IN A TIME OF TROUBLE, AND
THAT IS A BAD SIGNAL TO SEND.
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